



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Malala Fund (An INGO Registered in Pakistan)
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Malala Fund (an INGO Registered in Pakistan) (herein after referred as 'the INGO'), which comprise the statement of financial position as at March 31, 2023 and the statement of income and expenditure, statement of comprehensive income, statement of cash flows and the statement of changes in funds for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the INGO as at March 31, 2023, and of its financial performance and its cash flows and changes in funds for the period then ended in accordance with International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the INGO in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1.1 to the financial statements, which states that the INGO had entered into a Memorandum of Understanding (MoU) dated June 08, 2021 with the Government of Pakistan through the Ministry of Interior (MoI), which had expired on June 07, 2022. As per clause 4.9 of the Policies for regulation of International Non-governmental Organizations (INGOs) in Pakistan that before the final decision on the application for registration, there will be no interim permission to work. However, previously registered INGOs will be allowed to continue their operations for six months or until a final decision on their applications for fresh registration. The INGO is in the process of getting the renewal of the MoU in accordance with the requirements of the existing MoU however, the MoU is still being processed for countersigning from MoI due to the political situation in Pakistan and the management is confident that renewal of approval will be granted by MoI. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by International Accounting Standard Board (IASB), and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the INGO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the INGO or to cease operations, or has no realistic alternative but to do so.

Directors are responsible for overseeing the INGO's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the INGO's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether the material uncertainty exists related to events or conditions that may cast significant doubt on the INGO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events and conditions may cause the INGO to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



MUNIFF ZIAUDDIN & CO.
Chartered Accountants

Member Firm of
B K R
INTERNATIONAL

The engagement partner on the audit resulting in this independent auditor's report is Arqum Naveed.

Muniff Ziauddin & Co

Chartered Accountants

Lahore

Date: 15 SEP 2023

UNID: AR202310123jNGbmpFcL

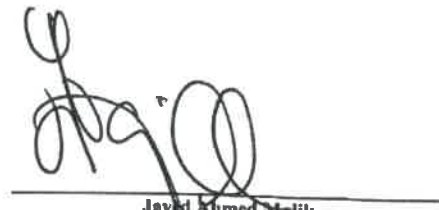
**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023**

	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
ASSETS			
Non-current assets			
Property and equipment	5	12,613,144	4,125,914
Right-of-use asset	6	2,213,139	6,007,092
Long term deposits	7	650,000	650,000
		15,476,283	10,783,006
Current assets			
Advance, prepayments and other receivables	8	118,913,646	56,599,611
Cash and bank balances	9	39,900,352	-
		158,813,998	56,599,611
Total assets		174,290,281	67,382,617
LIABILITIES			
Non-current liabilities			
Deferred credits	10	139,962,074	58,828,408
Lease liability	11	-	2,438,442
		139,962,074	61,266,850
Current liabilities			
Trade and other payables	12	31,889,764	2,729,951
Current portion of lease liabilities	11	2,438,443	3,385,816
		34,328,207	6,115,767
Total liabilities		174,290,281	67,382,617
Net assets		-	-
Represented by:			
Accumulated fund			
General fund		-	-
Contingencies and commitments			
	13	-	-

The annexed notes from, 1 to 23, form an integral part of these financial statements.

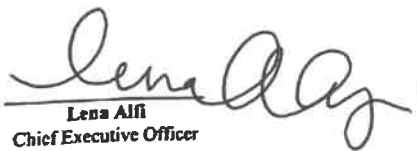

Lena Alfi
Chief Executive Officer


Javed Ahmed Malik
Programme Director

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2023**

	March 31, 2023	June 08, 2021 to March 31, 2022
	Rupees	Rupees
Surplus / (deficit) for the year / period	-	-
Other comprehensive income / (loss)		
Items that will not be subsequently reclassified to income and expenditure	-	-
Items that may be subsequently reclassified to income and expenditure	-	-
Total comprehensive income/ (loss) for the year / period	-	-

The annexed notes from, 1 to 23, form an integral part of these financial statements.


Lena Alfi
Chief Executive Officer


Javed Ahmed Malik
Programme Director

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 2023**

	March 31, 2023	June 08, 2021 to March 31, 2022
Note	Rupees	Rupees
INCOME		
Amortization of deferred credits	10 <u>598,405,673</u>	<u>293,516,803</u>
	598,405,673	293,516,803
EXPENDITURE		
Program expenditures	14 (503,034,711)	(250,008,018)
Administrative expenses	15 (95,019,277)	(43,322,432)
Finance cost	16 (351,685)	(186,353)
	<u>(598,405,673)</u>	<u>(293,516,803)</u>
Surplus / (deficit) before taxation	-	-
Taxation	17 -	-
Surplus / (deficit) for the year / period	<u>-</u>	<u>-</u>

The annexed notes from, 1 to 23, form an integral part of these financial statements.


Lena Ali
Chief Executive Officer


Javed Ahmed Malik
Programme Director

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED MARCH 31, 2023**

	<u>General Fund</u> <u>Repres</u>
Balance as at June 08, 2021	.
Total comprehensive loss for the period:	
Other comprehensive income / (loss)	.
Surplus / (deficit) for the period	.
Balance as at March 31, 2022	.
Balance as at April 01, 2022	.
Total comprehensive loss for the year:	
Other comprehensive income / (loss)	.
Surplus / (deficit) for the year	.
Balance as at March 31, 2023	.

The annexed notes from, 1 to 23, form an integral part of these financial statements.


Lena Ali
 Chief Executive Officer


Javed Ahmed Malik
 Programme Director

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2023**

	March 31, 2023	June 08, 2021 to March 31, 2022
Note	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) before taxation	-	-
Adjustment for non-cash and other items:		
Amortization of deferred credits	10 (598,405,673)	(293,516,803)
Depreciation on right-of-use asset	3,793,953	1,580,814
Depreciation of property and equipment	2,102,191	-
Interest cost on lease liability	16 351,685	186,353
	(592,157,844)	(291,749,636)
Working capital changes:		
(Increase) in advances and other receivables	(62,314,035)	(56,599,611)
Increase in trade and other payables	29,159,813	2,729,951
	(33,154,222)	(53,869,660)
Cash (used in) operations	(625,312,066)	(345,619,296)
Finance costs paid	16 -	-
Net cash (used in) operating activities	(625,312,066)	(345,619,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for capital work-in-progress	(10,589,421)	(4,125,914)
Long term deposits	-	(650,000)
Net cash (used in) investing activities	(10,589,421)	(4,775,914)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant received	10 679,539,339	352,345,210
Payment against lease liability	(3,737,500)	(1,950,000)
Net cash generated from financing activities	675,801,839	350,395,210
Net increase in cash and cash equivalents	39,900,352	-
Cash and cash equivalents at the beginning of the year / period	-	-
Cash and cash equivalents at the end of the year / period	39,900,352	-

The annexed notes from, 1 to 23, form an integral part of these financial statements.


Lena Afri
Chief Executive Officer


Javed Ahmed Malik
Programme Director

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

1 LEGAL STATUS AND OPERATIONS

The Malala Fund is a non-for-profit organization registered in the United States of America and situated at [REDACTED] Washington DC, 20001. The Malala Fund entered into Memorandum of Understanding (MoU) dated June 08, 2021 with the Government of Pakistan through the Ministry of Interior (Mol) to work as international non-government organization in Pakistan. The registered address of the Malala Fund (an INGO registered in Pakistan), (herein after referred as the 'INGO') is situated in Islamabad at [REDACTED]

The INGO desires to undertake work for the socio-economic development in the field of vocational education and training, health, poverty alleviation, culture, environmental protection, natural disaster reduction and management, science and technology, sports and other areas approved by the Government of Pakistan.

1.1 Significant event during the year

The INGO had entered into a Memorandum of Understanding (MoU) dated June 08, 2021 with the Government of Pakistan through the Ministry of Interior (Mol), which had expired on June 07, 2022. As per clause 4.9 of the Policies for regulation of International Non-governmental Organizations (INGOs) in Pakistan that before the final decision on the application for registration, there will be no interim permission to work. However, previously registered INGOs will be allowed to continue their operations for six months or until a final decision on their applications for fresh registration. The INGO is in the process of getting the renewal of the MoU in accordance with the requirements of the existing MoU however, the MoU is still being processed for countersigning from Mol due to the political situation in Pakistan and the management is confident that renewal of approval will be granted by Mol.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) as applicable in Pakistan;
- Accounting Standard for Not for Profit Organizations (Accounting standards for NPOs) issued by the Institute of Chartered Accountants of Pakistan (ICAP);
- Policies for regulation of International Non-governmental Organizations (INGOs) in Pakistan; and
- The requirements of Memorandum of Understanding (MoU) signed with Ministry of Interior(Mol).

Where the requirements signed under the MoU and policies for regulations of INGOs, differ from the IFRS Standards and Accounting standards for NPOs, the requirements signed under the MoU with government and policy for regulations of INGOs shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the respective accounting policies notes.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of primary economic environment in which the INGO operates. These financial statements are presented in Pakistan Rupee (Rs. / Rupees) which is the INGO's functional and presentation currency.

2.4 New standards, interpretations and amendments to published accounting and reporting standards

2.4.1 Standards, interpretations and amendments to published accounting and reporting standards that are effective but are not relevant

There are new and amended standards and interpretations that are mandatory for accounting year beginning on or after April 01, 2022 but are considered not to be relevant or do not have any significant effect on the INGO's financial statements and therefore are not stated in these financial statements.

2.4.2 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following Standards, interpretations and amendments to published accounting and reporting standards that are effective for accounting years, beginning on or after the date mentioned against each to them.

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

Standards	Particulars	Effective dates
IAS-1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the disclosure of accounting policies.	January 1, 2023
IAS-1	Presentation of Financial Statements & Accounting Policies - Amendments regarding the classification liabilities as current or non-current.	January 1, 2024
IAS-8	Accounting Policies, changes in Accounting Estimates and Errors - Amendment regarding the definition of accounting estimates.	January 1, 2023
IAS-12	Income Taxes - Amendments regarding the deferred tax related to assets and liabilities arising from a single transaction.	January 1, 2023
IAS-12	Income Taxes - Amendments regarding the International Tax Reform — Pillar Two Model Rules.	January 1, 2023
IFRS-10 and IAS-28	Amendments regarding the sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Deferred indefinitely
IFRS-16	Leases - Amendment regarding the clarification on how seller-lessee subsequently measures sale and leaseback transactions.	January 1, 2024

The management expects that the adoption of the above revision, amendments and interpretation of the standards will not materially effect the INGO's financial statements in the period of initial application.

3 KEY JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property and equipment – Note 4.1
- Impairment of non financial assets– Note 4.2
- Right-of-use assets – Note 4.3 & 6
- Impairment of financial assets other than trade receivables – Note 4.4.5
- Estimation of provisions - Note 4.8
- Taxation - Note 4.10
- Estimation of contingent liabilities - Note 4.11 & 13.1
- Lease Liabilities - Note 4.13

The revisions to accounting estimates (if any) are recognized in the year in which the estimate is revised, if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property and equipment

4.1.1 Cost

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Capital work in progress, if any, is stated at cost less accumulated impairment loss. Capital work in progress is transferred to respective item of property and equipment when available for intended use.

Cost in relation to property and equipment comprises acquisition and other directly attributable cost incurred in bringing the asset to its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of income and expenditure during the year in which they are incurred.

4.1.2 Depreciation

Depreciation on all items of operating property and equipment is charged to statement of income and expenditure applying the straight line method so as to write-off the depreciable amount of an asset over its useful life. Depreciation is charged from the day in which asset is available for use or capitalized upto the day before the disposal of asset. The residual value and useful

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

4.1.3 Derecognition

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount in the year the asset is derecognized) is charged to statement of income and expenditure.

4.2 Impairment of non financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss (if any) is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses (if any) are recognized in statement of income and expenditure. A previously recognized impairment loss (if any) is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income and expenditure.

4.3 Right-of-use assets

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4.4 Financial Instruments

Financial assets and financial liabilities are recognized in the statement of financial position when the INGO becomes a party to the contractual provisions of the instrument.

4.4.1 Initial recognition

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortized cost or cost as the case may be.

4.4.2 Classification of financial assets

The INGO classifies its financial instruments in the following categories:

- at amortized cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVTOCI).

The management of the INGO determines the classification of financial assets at initial recognition. The classification of instruments is driven by the INGO's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets except those mentioned above are subsequently measured at FVTPL.

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

4.4.3 Classification of financial liabilities

The INGO classifies its financial liabilities in the following categories:

- at fair value through profit or loss ("FVTPL"); or
- at amortized cost.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the INGO has opted to measure them at FVTPL.

4.4.4 Subsequent measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost, and in the case of financial assets, less impairment, if any.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income and expenditure. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of income and expenditure in the year in which they arise.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income.

4.4.5 Impairment of financial assets

The INGO recognizes loss allowance for expected credit loss (ECL) on financial assets measured at amortized cost except for debts due directly / ultimately from Government of Pakistan, if any. For trade debts, if any, the INGO applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The INGO uses General 3 stage approach for deposits and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12 month ECL, if credit risk on a financial instruments has not increased significantly since initial recognition.

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months' ECL are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the INGO expects to receive).

The gross carrying amount of a financial asset is written off when the INGO has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

4.4.6 Derecognition

Financial assets

The INGO derecognizes financial assets only when the contractual rights to cash flows from the financial assets expires or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in the statement of income and expenditure.

In addition, on derecognition of an investment in a debt instrument classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of income and expenditure. In contrast, on derecognition of an investment in equity instrument which the INGO has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of income and expenditure, but is transferred to statement of changes in funds.

Financial liabilities

The INGO derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income and expenditure.

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2023**

4.4.7 Off setting of financial assets and financial liabilities

Financial assets and liabilities are off-set and the net amount is reported in the statement of financial position, if the INGO has legally enforceable right to set-off the recognized amounts and the INGO intends to settle on a net basis or realize the asset and settle the liability simultaneously.

4.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current accounts, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in values.

4.6 Deferred credits

Grants from The Malala Fund are recognized at their fair value where there is a reasonable assurance that the grant will be received and the INGO will comply with all attached conditions.

Grants relating to expenses are deferred and recognized in the statement of income and expenditure over the year necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of property and equipment are included in non current liabilities as deferred income and are credited to statement of income and expenditure on a straight-line basis over the expected lives of the related assets.

4.7 Trade and other payables

These are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Trade and other payables are presented as current liabilities unless payment is not due within the 12 months after the reporting year.

4.8 Provisions

Provisions are recognized when the INGO has present legal or constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

4.9 Foreign currency transactions and translations

The foreign currency transactions are translated into functional currency using the exchange rates prevailing on the date of transactions. The closing balance of monetary items are translated using the exchange rate prevailing on the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income and expenditure.

4.10 Taxation

4.10.1 Current taxation

The charge for current taxation is based on taxable income for the year determined in accordance with prevailing law for taxation at the current rate of taxation after taking into account applicable tax credits, tax losses, and exemptions available, if any, or minimum taxation at the specified applicable rate for the turnover or Alternative Corporate Tax, whichever is higher and tax paid on final tax regime. However, the INGO is in the process of obtaining an income tax exemption certificate, subject to certain conditions and the INGO will be entitled to 100% tax credit of the income tax payables, including minimum and final taxes payable, under section 100C of the income tax ordinance 2001.

4.10.2 Deferred taxation

Deferred income tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent it is probable that future taxable profits will be available against which these can be utilized. Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the years when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to income except to the extent that it relates to items recognized in other comprehensive income or directly in the changes in funds. In this case, the tax is also recognized in other comprehensive income or directly to changes in funds, respectively.

4.11 Contingent liabilities

A contingent liability is disclosed when the INGO has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the INGO; or the INGO has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.12 Related party transactions

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The INGO has related party relationships with The Malala Fund and key management personnel of the INGO. Related party transactions, if any, are recorded on arm's length basis unless otherwise stated in relevant notes.

4.13 Lease liabilities

At inception of a contract, the INGO assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a year of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the INGO.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the INGO's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable / received. The extension and termination options are incorporated in determination of lease term only when the INGO is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or rate, change in the INGO's estimate of the amount expected to be payable under a residual value guarantee. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the statement of income and expenditure if the carrying amount of right-to-use asset has been reduced to zero.

The INGO has lease contract that includes extension and termination options. the INGO applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the INGO reassesses the lease term, if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

When there is the change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, the change is accounted for as a lease modification. The lease modification is accounted for as a separate lease, if modification increase the scope of lease by adding one or more underlying right-to-use assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

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	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
7 LONG TERM DEPOSIT			
Security deposit	7.1	650,000	650,000
7.1	This represents security deposit paid to landlord of leasehold premises.		
8 ADVANCE, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to grantees		118,699,921	53,869,660
Prepaid insurance		90,363	-
Grant receivable against consultant's fee	8.1	123,362	2,729,951
		<u>118,913,646</u>	<u>56,599,611</u>
8.1	This represents grant receivable from the Malala Fund against consultancy fee.		
9 CASH AND BANK BALANCES			
Cash in hand		-	-
Cash at bank:			
- Current account		39,900,352	-
		<u>39,900,352</u>	<u>-</u>
9.1	The INGO has opened a new local current bank account in HBL during the year.		
10 DEFERRED CREDITS			
Deferred grants			
Grant against assets			
Opening balance		4,958,747	-
Received during the year		14,869,099	6,725,914
Amortised to statement of income and expenditure against:		(6,699,644)	(1,767,167)
		<u>13,128,202</u>	<u>4,958,747</u>
Grant against expenses			
Opening balance		53,869,661	57,017,982
Received during the year		664,670,240	288,601,315
Amortised to statement of income and expenditure against:		(591,706,029)	(291,749,636)
		<u>126,833,872</u>	<u>53,869,661</u>
Closing Balance		<u>139,962,074</u>	<u>58,828,408</u>
10.1	During the year, the INGO received grant of Rs.679 million (2022: Rs. 295 million) from The Malala Fund to finance its operating activities and the projects carrying out in Pakistan.		
11 LEASE LIABILITY			
Lease liability	11.1	2,438,443	5,824,258
11.1	Reconciliation of the carrying		
Opening balance		5,824,258	-
Additions during the year		-	5,637,905
Finance cost on lease liabilities		351,685	186,353
Lease rentals paid during the year		(3,737,500)	-
		<u>2,438,443</u>	<u>5,824,258</u>
Current portion shown under current liabilities		(2,438,443)	(3,385,816)
Long term portion of lease liabilities		<u>-</u>	<u>2,438,442</u>
11.2 Maturity Analysis			
Lease liabilities - minimum undiscounted lease payments:			
Not later than 1 year		2,502,500	3,737,500
Later than 1 year but not later than 5 years		-	2,502,500
		<u>2,502,500</u>	<u>6,240,000</u>

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	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
12	TRADE AND OTHER PAYABLES		
	Payables to consultants	23,338,102	2,094,445
	Accrued liabilities	157,779	-
	Audit fee payable	1,272,747	635,506
	Payables to grantees	2,679,065	-
	Income tax withheld	4,442,071	-
		<u>31,889,764</u>	<u>2,729,951</u>

13 CONTINGENCIES AND COMMITMENTS

13.1 Contingences

There are no contingencies as at the reporting date (2022: None).

13.2 Commitments

The INGO has signed contracts with local grantees to finance its operating activities and the projects it is carrying out in Pakistan, as well as signed agreement for the renovation work [REDACTED]. The approximate outstanding balances of the commitment as on reporting date are as follows:

	March 31, 2023	March 31, 2022
Capital expenditure relating to renovation - PKR	-	9,038,187
Project expenditure relating to grantees - USD	1,328,000	1,104,400

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	Note	March 31, 2023 Rupees	June 08, 2021 to March 31, 2022 Rupees
15	ADMINISTRATIVE EXPENSES		
	Consultancy fees	14,448,752	3,331,427
	Legal and professional charges	50,145,692	32,904,278
	Travelling and lodgings	7,076,199	1,724,782
	Postage and Communications	219,125	37,645
	Insurance	451,814	-
	Depreciation of property and equipment	5.1 2,102,191	-
	Depreciation of right-of-use assets	6 3,793,953	1,580,814
	Utilities and janitorial services	1,770,217	856,048
	Office Expenses	11,419,877	-
	Auditors' remuneration	15.1 3,591,547	2,887,438
		<u>95,019,277</u>	<u>43,322,432</u>
15.1	Auditors' remuneration		
	Audit services		
	Annual audit fee	1,272,747	635,506
	Non-audit services		
	Tax and consultancy fee	<u>2,318,800</u>	<u>2,251,932</u>
		<u>3,591,547</u>	<u>2,887,438</u>
16	FINANCE COSTS		
	Finance cost on lease liabilities	11.1 351,685	186,353
17	TAXATION		
	The INGO is in the process of obtaining an income tax exemption certificate, subject to certain conditions and the INGO will be entitled to 100% tax credit of the income tax payables, including minimum and final taxes payable, under section 100C of the income tax ordinance 2001.		
	Deferred has not been provided in these financial statements as the INGO income's will be exempt under the income tax ordinance, 2001 and consequently temporary differences do not arise.		
18	FINANCIAL RISK MANAGEMENT		
	The INGO's activities expose it to a variety of financial risks: market risk (including other price risk, interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The INGO's overall risk management program focuses on prudent handling of financial operations in line with approved budgetary grants and support from its head office.		
18.1	Market risk		
	Market risk is the risk that changes in market prices, interest rates, currency risk and the equity prices may affect the INGO's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.		
18.1.1	Other price risk		
	Other price risk represents the risk that the future cash flows of financial instrument will fluctuate because of changes in market price (other than those arising from interest risk or currency risk), whether those changes are caused by changes specific to the individual financial risk, whether these changes are caused by the factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The INGO is not exposed to commodity price risk.		
18.1.2	Interest rate risk		
	Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The INGO has no significant long term interest bearing assets. At the reporting date, the interest rate profile of the INGO's interest bearing financial instruments was:		

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	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
Fixed rate instruments			
Financial liabilities			
Lease liabilities	11	2,438,443	5,824,258

18.1.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk mainly arises from future commercial transactions of receivables or payables that exist due to transactions in foreign currencies.

The INGO is exposed to currency risk, primarily with respect to the "United States Dollar". Currently the INGO's foreign exchange exposure is restricted to other receivables and trade and other payables in foreign currency. The INGO's exposure to currency risk is as follows:

	March 31, 2023 USD	March 31, 2022 USD
Other receivables	435	6,877
Trade and other payables	(13,392)	(6,877)
Net exposure - USD	(12,957)	-

	Average rate		Spot rate	
	2023	2022	2023	2022
	...Rupees...		...Rupees...	
Rupee per USD	224.74	168.40	283.59	181.57

Foreign currency sensitivity analysis

At March 31, 2023, if the functional currency had weakened / strengthened by 5% against the USD with all other variables held constant, the statement of income and expenditure would have been Rs. 133,953 (2022 : None) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments.

18.2 Credit risk and concentration of credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
Long term deposits	7	650,000	650,000
Other receivables	8	123,362	2,729,951
Bank balances	9	39,900,352	-
		40,673,714	3,379,951

Credit quality of financial assets

Deposits are secured against contractual terms. The management is of the view that it is not exposed to significant concentration of credit risk. The credit risk on liquid funds is limited because the counter party is a bank with reasonably high credit ratings. The credit quality of bank balances are as follows :

Name of Bank	Short Term	Long Term	Rating Agency	March 31, 2023 Rupees	March 31, 2022 Rupees
Habib Bank Limited	A1+	AAA	JCR-VIS	39,900,352	-

18.3 Liquidity Risk

Liquidity risk is the risk that the INGO will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the INGO could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

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	Carrying amount	Contractual cash flows	1 to 3 months	3 to 12 months	1 to 5 years
March 31, 2023			Rupees		
Lease liabilities	2,438,443	(2,502,500)	(1,072,500)	(1,430,000)	-
Trade and other payables	31,889,764	(31,889,764)	(31,889,764)	-	-
	<u>34,328,207</u>	<u>(34,392,264)</u>	<u>(32,962,264)</u>	<u>(1,430,000)</u>	<u>-</u>
March 31, 2022			Rupees		
Lease liabilities	5,824,258	(6,240,000)	(650,000)	(3,087,500)	(2,502,500)
Trade and other payables	2,729,951	(2,729,951)	(2,729,951)	-	-
	<u>8,554,209</u>	<u>(8,969,951)</u>	<u>(3,379,951)</u>	<u>(3,087,500)</u>	<u>(2,502,500)</u>

	Note	March 31, 2023 Rupees	March 31, 2022 Rupees
18.4 Financial instrument by category			
Financial assets at amortised cost			
Long term deposits	7	650,000	650,000
Bank balances	9	39,900,352	-
		<u>40,550,352</u>	<u>650,000</u>
Financial liabilities at amortized cost			
Lease liabilities	11	2,438,443	5,824,258
Trade and other payables	12	23,338,102	31,889,764
		<u>25,776,545</u>	<u>37,714,022</u>

18.5 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statements approximates their fair value.

19 FUND RISK MANAGEMENT

The INGO's objective when managing fund is to safeguard the INGO's ability to continue as a going concern so that it can continue to provide returns and benefits for stakeholders, and to maintain a strong fund base to support the sustained development of its operations. The INGO manages its fund requirements through grant received from head office.

20 TRANSACTIONS WITH RELATED PARTIES

20.1 Related party transactions comprise of transactions and account balances with The Malala Fund. Following are the transactions and account balances entered into during the year:

Related Party	Relationship	Description	2023 Rupees	2022 Rupees
The Malala Fund	Head office	Grant received	679,539,339	295,327,229

20.2 The status of outstanding receivables and payables from / to related parties as at March 31, 2023 are included in respective notes to these financial statements.

21 CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever considered necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan.

22 GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

**THE MALALA FUND (AN INGO REGISTERED IN PAKISTAN)
NOTES TO THE FINANCIAL STATEMENTS
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23 DATE OF AUTHORIZATION OF ISSUE

These financial statements were approved and authorized for issue on September 8, 2023.



Lena Alfi
Chief Executive Officer



Javed Ahmed Malik
Programme Director